

The following is the text of the letter of advice from Yue Xiu Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular.



Room 17-37, 49/F, Sun Hung Kai Centre
30 Harbour Road, Wanchai
Hong Kong

29 September 2025

*To: the Independent Board Committee and the Independent Shareholders of Shanghai
Fosun Pharmaceutical (Group) Co., Ltd.*

Dear Sirs or Madams,

**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS —
RENEWAL OF FINANCIAL SERVICES AGREEMENT**

I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Renewed Financial Services Agreement, details of which are set out in the “Letter from the Board” (“Letter from the Board”) in this circular dated 29 September 2025 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

From time to time, the Group has been conducting the continuing connected transactions in relation to financial services provided by Fosun Finance in the ordinary and usual course of its business since the listing of the Company in 2012. Such previous continuing connected transactions (details of which have been set out in the listing document of the Company and various announcements issued during October 2012 to July 2019) were subject to the reporting, announcement and annual review requirements but were exempted from the Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. However, the current continuing connected transactions (details of which have been set out in the various announcements and circular issued during August 2022 to November 2022) in respect of the Financial Services Agreement which will expire on 31 December 2025, were subject to the reporting, announcement, annual review, announcement and the Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

On 26 August 2025, the Company entered into the Renewed Financial Services Agreement with Fosun Finance in order to renew the Financial Services Agreement which will expire on 31 December 2025, for a term of three years commencing on 1 January 2026 and ending on 31

December 2028. Pursuant to the Renewed Financial Services Agreement, Fosun Finance has agreed to provide non-exclusive financial services to the Group including the following categories, (i) comprehensive credit services, (ii) deposit services, (iii) settlement services and (iv) other financial services.

As at the Latest Practicable Date, Fosun Finance is a subsidiary of Fosun High Tech, the controlling shareholder holding approximately 36.42% of the total issued shares (excluding treasury shares) of the Company, thus Fosun Finance is a connected person of the Company under Rule 14A.07(4) of the Hong Kong Listing Rules. The transactions contemplated under the Renewed Financial Services Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules. The deposit services provided by Fosun Finance to the Group pursuant to the Renewed Financial Services Agreement also constitutes financial assistance by the Group to Fosun Finance under Chapter 14 of the Hong Kong Listing Rules.

According to the Letter from the Board, the comprehensive credit services to be provided by Fosun Finance to the Group will be on normal commercial terms and no security over the assets of the Group is needed to be offered in favour of Fosun Finance with respect to such comprehensive credit services under the Renewed Financial Services Agreement. As such, the comprehensive credit services to be provided by Fosun Finance to the Group under the Renewed Financial Services Agreement are exempt from all the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules for the deposit, settlement and other financial services (collectively the “**Non-exempt Transactions**”) under the Renewed Financial Services Agreement are, in aggregate, more than 5% but less than 25% on an annual basis, the Non-exempt Transactions constitute in aggregate a discloseable and continuing connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, and reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Yu Tze Shan Hailson, Mr. Wang Quandi, Mr. Chen Penghui and Mr. Yang Yucheng, has been established to advise the Independent Shareholders as to whether the terms of the transactions contemplated under the Renewed Financial Services Agreement and the proposed annual caps in respect of the Non-exempt Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the EGM to approve the Renewed Financial Services Agreement and the Non-exempt Transactions contemplated thereunder (including the proposed annual caps). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Yue Xiu Capital Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as a hindrance to our independence under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Financial Services Agreement and the Non-exempt Transactions contemplated thereunder. In the last two years from the date of the Circular, we have not acted as the independent financial adviser to the then independent board committee and independent shareholders for any transactions. Apart from normal professional fees paid or payable to us in connection with our appointment as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group, Fosun Finance or any other parties that could reasonably be regarded as relevant in assessing our independence. Accordingly, we are qualified to give independent advice in respect of the Renewed Financial Services Agreement and the Non-exempt Transactions contemplated thereunder (including the proposed annual caps).

II. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the annual reports of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”) and for the year ended 31 December 2024 (the “**2024 Annual Report**”) and the interim results announcement of the Company for the six months ended 30 June 2025 (the “**2025 Interim Results**”); (iv) opinions expressed by and the representations of the Directors and/or the management of the Company (the “**Management**”); and (v) our review of the relevant public information. We have assumed that all the information provided and representations made and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material aspects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. The Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or the Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date. In addition, the Company shall inform the Independent Shareholders of any material change of information in the Circular between the Latest Practicable Date and the date of the EGM.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for the letters of advice issued by us as incorporated into the Circular.

We consider that we have reviewed the relevant information currently available to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification on the information provided, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or Fosun Finance or any of their respective subsidiaries or associates.

III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. Background of the Group

As an innovation-driven global healthcare group deep-rooted in China, the Group is principally engaged in pharmaceuticals, medical devices, medical devices and diagnostics, healthcare services, and pharmaceutical distribution and retail.

The following table sets out a summary of the recent selected financial performance of the Group for the years ended 31 December 2022 (“FY2022”), 2023 (“FY2023”) and 2024 (“FY2024”) and for the six months ended 30 June 2024 (“1H2024”) and 2025 (“1H2025”) based on the 2022 Annual Report, 2023 Annual Report, the 2024 Annual Report and the 2025 Interim Results, respectively.

Unit: RMB million

	For the year ended 31 December		For the six months ended 30 June		
	2022	2023	2024	2024	2025
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue	43,811	41,249	40,910	20,383	19,426
Gross profit	20,642	19,653	19,544	9,920	9,302
Profit attributable to owners of the parent	3,737	2,399	2,770	1,225	1,702

FY2022 and FY2023

Revenue of the Group decreased by 5.85% to RMB41,249 million for FY2023 as compared to FY2022. Such decrease was mainly due to the significant year-on-year decline in revenue from COVID-related products, including Comirnaty (mRNA COVID-19 vaccine), Jie Bei An (azvudine tablets), COVID-19 antigen and nucleic acid test kits, as the COVID-19 no longer constituted a “Public Health Emergency of International Concern”.

Gross profit of the Group amounted to RMB19,653 million for FY2023, representing a decrease of 4.79% as compared with that of RMB20,642 million for FY2022. The gross profit margin of the Group for FY2023 and FY2022 was 47.64% and 47.12%, respectively. The gross profit margin of the Group increased by 0.52 percentage point for FY2023 as compared to FY2022, which was mainly due to the increase in the proportion of new and sub-new products with relatively high gross profit margins in total revenue.

The Group’s profit attributable to owners of the parent decreased to RMB2,399 million for FY2023 from RMB3,737 million for FY2022, representing a decrease of approximately 35.80%. Such decrease was mainly due to the combined effect of, *inter alia*, (i) the decrease in gross profit of COVID-related products as mentioned above; (ii) the increase in administrative expenses as a result of the increasing human resources cost, consultation fees and other expenses; (iii) the increase in finance primarily due to the US dollar interest hikes and US dollar appreciation in FY2023; and (iv) the impacts of the acquisition of Phixen, société par actions simplifiée by Gland Pharma Limited.

FY2023 and FY2024

Revenue of the Group decreased by 0.82% to RMB40,910 million for FY2024 as compared to FY2023. During FY2024, the Group further focused on innovative drugs and high-value devices, and promotion of product structure and strategic transformation. Despite the slight decrease in revenue for FY2024, the revenue from innovative drugs recorded steady growth. Such core products include (i) surplumlimab injection, an innovative anti-PD-1 monoclonal antibody drug (trade name in Chinese mainland: Han Si Zhuang), (ii) Yi Kai Da (ejilunsai injection), the CAR-T cell therapy product, (iii) Akynzeo (netupitant and palonosetron hydrochloride capsules), the antiemetic drug, (iv) Pei Jin (telpegfilgrastim injection), a long-lasting recombinant human granulocyte colony-stimulating factor product, and (v) Yi Xin Tan (sacubitril valsartan sodium tablets), a drug for the treatment of heart failure and hypertension, recorded rapid growth.

Gross profit of the Group decreased slightly by 0.55% from RMB19,653 million for FY2023 to RMB19,544 million for FY2024. The Group’s gross profit margin increased slightly from 47.64% for FY2023 to 47.77% for FY2024. Both of the gross profit and gross profit margin of the Group for FY2024 remained relatively stable.

The Group's profit attributable to owners of the parent increased to RMB2,770 million for FY2024 from RMB2,399 million for FY2023, representing an increase of 15.46%. Such increase was primarily due to (i) the decrease in selling and distribution expenses as the combined effect of, (a) the Group continued to strengthen the control of selling and distribution expenses through refined management and optimized resource allocation, (b) the structure of sales products has changed, and the sales expense ratio of centralized procurement products has decreased year-on-year and (c) the Group maintained investment in market development and sales team for new product launched, (ii) the decrease in R&D expenses and R&D expenditure for FY2024 as the Group concentrated on quality pipeline assets and enhanced efficiency by integrating its R&D system; multiple pipelines met the criteria for capitalization recognition as the R&D projects advance, leading to the R&D investment of several projects transferred to development expenditure which were eligible for capitalization.

1H2024 and 1H2025

Revenue of the Group decreased by 4.70% to RMB19,426 million for 1H2025 as compared to 1H2024. The decrease in revenue mainly attributable to the headwinds from the renewal of centralized procurement in bulk and regional centralized procurement in bulk. Such effect was partially offset by the robust growth and increase in revenue from innovative drugs.

Gross profit of the Group decreased by 6.23% from RMB9,920 million for 1H2024 to RMB9,302 million for 1H2025, which was mainly due to the decrease in revenue.

The Group's profit attributable to owners of the parent increased to RMB1,702 million for 1H2025 from RMB1,225 million for 1H2024, representing an increase of 38.96%. Such increase was primarily due to the substantial increase in other gains mainly arising from the disposal of the remaining equity interest in Unicorn II Holdings Limited with the major assets of which were "United Family Healthcare" hospitals and clinics held and operated, and other non-core assets in 1H2025.

Unit: RMB million

	As at 31 December			As at
	2022	2023	2024	30 June
	(Audited)	(Audited)	(Audited)	(Unaudited)
Cash and bank balances	16,241	13,694	13,524	12,959
Trade and bills receivables	7,613	7,668	8,024	8,566

As set out in the table above, the Group maintained a robust level of cash and bank balances of RMB13,524 million as at 31 December 2024. Also, the Group recorded increase in trade and bills receivables as at 31 December 2024 compared with that as at 31 December 2022. Also, the Group maintained a stable level of trade and bills receivables ranging from approximately 17.38% to 19.61% of its revenue for the corresponding financial year.

Furthermore, the Group generated net cash flows from operating activities of RMB4,218 million, RMB3,414 million and RMB4,477 million for the years ended 31 December 2022, 2023 and 2024, respectively.

2. Background of Fosun Finance

Fosun Finance is a limited liability company established in the PRC as a non-banking financial institution regulated by the NFRA. It is principally engaged in the provision of financing consulting services, deposit services, settlement services, credit services and other financial services. It is a subsidiary of Fosun High Tech and is ultimately controlled by Mr. Guo Guangchang (郭廣昌先生). Fosun International, the parent company of Fosun High Tech, ranked top 150 in Fortune China 500 in 2025.

Based on the audited financial statements of Fosun Finance for the year ended 31 December 2024, Fosun Finance has a registered capital of RMB1.5 billion. Set out below is the summary of selected financial performance and financial positions of Fosun Finance as prepared under the generally accepted accounting principles in the PRC as extracted from its audited financial statements.

Unit: RMB million

	For the year ended 31 December	
	2023	2024
Revenue	414	342
Operating profit	371	343
Net profit	278	257

Unit: RMB million

	As at 31 December	
	2023	2024
Total assets	12,115	12,586
Total liabilities	9,941	10,395
Total equity	2,174	2,191

Set out below is the comparison of selected financial indicators of Fosun Finance and the relevant regulatory requirement (if any):

Financial indicators	Fosun Finance	
	For the year ended/ As at 31 December 2024	Regulatory requirements
Capital adequacy ratio	23.27%	Not lower than 10.5%
Liquidity ratio	191.86%	Not lower than 25%
Total external liabilities to net capital ratio	0.00%	Not higher than 100%
Non-performing loan ratio	0.00%	Not higher than 5%
Non-performing asset ratio	0.00%	Not higher than 4%

3. Reasons for and benefits of entering into the Renewed Financial Services Agreement

As set out in the Letter from the Board, the Board has considered the reasons for and benefits of entering into the Renewed Financial Services Agreement including, that (i) Fosun Finance has been providing financial services within its approved business scope, and the Group has established a long-term business relationship with Fosun Finance since Fosun Finance's incorporation in 2011; (ii) there has been no delay for repayment of any principals and interests by Fosun Finance in respect of its provisions of the deposit services, and there has been no practical impediment or disruption of the settlement services and other financial services by Fosun Finance since the Group's engagement of it as one of its financial service providers in 2011; and (iii) the risk management plan formulated by the Company which illustrates the internal risk management agency, risk prevention and control procedures, and risk disposal procedures to deal with potential risks can ensure the safety of funds, the Board considers that the risks in connection with the transactions with Fosun Finance are relatively manageable.

Furthermore, the Board is of the view that the transactions contemplated under the Renewed Financial Services Agreement can facilitate the Group to enrich the deposits and loan business channels, increase the efficiency of fund utilization, control the costs and reduce the risk of financing, increase the deposit yield and reduce the overall deposit risk, and improve the bargaining power with the external financial institutions. The Board considers that these transactions are in the interests of the Company and its Shareholders and will not adversely affect the independence of the Company.

In assessing the reasonableness of entering into the Renewed Financial Services Agreement, we have further taken into account the following:

We noted that Fosun Finance is a non-banking financial institution licensed and regulated by the NFRA. We have obtained the relevant financial statements of Fosun Finance and noted that Fosun Finance has operated in compliance with the Administrative Measures for the Group Finance Companies (《企業集團財務公司管理辦法》), the “Administrative

Measures’) promulgated by the China Banking and Insurance Regulatory Commission (replaced by NFRA in May 2023). Pursuant to the Administrative Measures, it regulates the operation of non-banking financial institutions which provide financial management services to the enterprise group member entities. The Administrative Measures set out certain compliance and risk control requirement/measures in relation to the operation of group finance companies, including but not limited to maintaining certain financial ratios at all times. Further, the parent group company and controlling shareholder(s) of group finance company shall supplement such group finance company’s capital when necessary.

The above demonstrates that Fosun Finance provides an alternative for the Group as to provide the services under the Renewed Financial Services Agreement without significant credit risk exposure to the Group. Also, pursuant to the Renewed Financial Services Agreement, the interest rates for deposit services provided by Fosun Finance shall be no less than the average of those provided by commercial banks in the PRC in general, and fees for settlement services and other financial services provided by Fosun Finance shall not exceed those provided by other financial institutions in the PRC, which avails the Group to a stable source of financial services in its ordinary and usual course of business.

Furthermore, we noted that Fosun Finance has been providing such financial services to the Group since the listing of the Company on the main board of the Hong Kong Stock Exchange in 2012. Such long-term and stable relationship between the Group and Fosun Finance has facilitated better understanding on the operation and the need of each other, which may potentially enhance the operation efficiency of the Group. Such understanding will enable Fosun Finance to offer more favourable and flexible financial services than third-party PRC commercial banks in general. Furthermore, the Management advised that Fosun Finance has been providing the deposit services to the Group and the Group has been receiving the principals and interests from the deposits placed with Fosun Finance in a timely manner. Also, there has been no practical impediment or disruption of the settlement services and other financial services by Fosun Finance since the Group engaged Fosun Finance as one of its financial service providers in 2011. The Renewed Financial Services Agreement would enable the Group to continue using Fosun Finance as a medium between the Company and its subsidiaries to allocate funds and manage its existing capital and cash flows more effectively.

Also, the financial services provided by Fosun Finance under the Renewed Financial Services Agreement is non-exclusive in nature, i.e. the Group is not restricted under the Renewed Financial Services Agreement to engage any other financial services providers based on its business needs and preferences. The Renewed Financial Services Agreement represents an alternative or additional source of financial services to be provided by a financial institution which is licensed and regulated by the NFRA. To further illustrate this, the Group has been depositing only part of its funds with Fosun Finance. Based on the information provided by the Management, the actual maximum daily balance of deposits placed by the Group with Fosun Finance for years ended 31 December 2023 and 2024 and for the six months ended 30 June 2025 were approximately RMB1,989.39 million, RMB1,899.86 million and RMB1,833.64 million, respectively, representing approximately 14.53%, 14.05% and

14.15% of the cash and bank balance of the Group as at the respective year-end or period-end date. Given the strong financial performance and health of Fosun Finance as mentioned above, the entering into of the Renewed Financial Services Agreement renders the Group an opportunity to diversify its credit risk among PRC commercial banks in general.

Having considered the foregoing, we concur with the Directors that the entering into of the Renewed Financial Services Agreement is in the interests of the Company and its Shareholders as a whole.

4. Principal terms of Renewed Financial Services Agreement

The principal terms and conditions of the Renewed Financial Services Agreement are set out below.

Date

26 August 2025

Parties

The Company; and Fosun
Finance

Term

From 1 January 2026 to 31 December 2028

Subject matters

Fosun Finance shall provide non-exclusive financial services to the Group in accordance with the terms of the Renewed Financial Services Agreement as below:

(i) Comprehensive credit services

- a. Based on the operational and development needs of the Group and under the premise of complying with relevant Chinese laws and regulations, Fosun Finance shall provide the Group with comprehensive credit services, including but not limited to loan, note, discount, entrusted loan, consumption credit, bond investment, non-financial guarantee and other forms of financing. The provision of such credit services by Fosun Finance is not conditional upon the provision of guarantees, asset pledges or other forms of security by the Group.

- b. During the effective term of the Renewed Financial Services Agreement, the Group intends to make an application to Fosun Finance for a comprehensive credit facility of not exceeding RMB2.0 billion. Separate agreement(s) will be entered into by the parties for actual execution based on the performance and the integrated credit rate of the Group.
- c. Fosun Finance undertakes that the interest rate(s) for the loan to be provided by Fosun Finance to the Group shall be negotiated and agreed by the parties with reference to the interest rate(s) as published by the People's Bank of China ("PBOC") from time to time and the prevailing market rate(s). Such interest rate(s) shall be no higher than the interest rate(s) for the same kind of loan offered by other financial institutions in the PRC to the Group for the same period and shall be no higher than the interest rate(s) for the same kind of loan for the same period provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

(ii) *Deposit services*

- a. Fosun Finance shall strictly follow the principle of freedom of deposit and withdrawals in compliance with relevant requirements of the PBOC and provide the deposit services to the Group;
- b. The deposit services, including but not limited to demand deposit, time deposit, call deposit and agreed deposit to be provided by Fosun Finance to the Group, shall comply with the relevant requirements of the PBOC;
- c. Fosun Finance undertakes that the interest rate(s) for the deposit of the Group with Fosun Finance shall be determined with reference to the benchmark interest rate(s) for RMB deposit as published by the PBOC provided that such rate(s) shall be no less than the average of the deposit rate(s) for the same kind of deposit offered by PRC commercial banks to the Group in general for the same period and no less than the deposit rate(s) for the same kind of deposit for the same period provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is higher;
- d. The Group agrees to open deposit accounts with Fosun Finance, and to choose among different types and terms of deposit products;
- e. The Group agrees that the maximum daily outstanding balance of deposits placed by the Group with Fosun Finance shall not exceed RMB2.0 billion; and

- f. Fosun Finance shall ensure the safety of the Group's deposits, and promptly and fully release the funds as requested by the Group.

(iii) *Settlement services*

- a. Fosun Finance shall provide settlement services for payment and receipt and other ancillary services relating to settlement services to the Group in accordance with the instructions of the Group.
- b. The service fees for the settlement services to be provided by Fosun Finance to the Group shall be charged at the rate to be agreed by the parties, and shall be no higher than the fees for the same kind of services offered by other financial institutions in the PRC, and at the same time be no higher than the fees for the same kind of services provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

(iv) *Other financial services*

- a. Fosun Finance will provide the Group with other financial services within its business scope as approved by the NFRA, including financial and financing advisory, credit verification and related consulting and agency services.
- b. Fosun Finance has undertaken that the service fees for other financial services other than the deposit services and credit services provided by Fosun Finance shall comply with the fees standard promulgated by the PBOC or the NFRA (if applicable). Fosun Finance has further undertaken to the Group that its service fees for such financial services shall be no higher than the fees for the same kind of services offered by other financial institutions in the PRC and shall be no higher than the fees for the same kind of services provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

Pursuant to the Renewed Financial Services Agreement, the aggregate service fees for the settlement services and other financial services provided by Fosun Finance shall not exceed RMB1 million for each of the financial years.

(v) *Risk assessment and control measures*

- a. The Group has the right to verify the deposits with Fosun Finance from time to time to understand the safety and liquidity of the relevant deposits, and to carry out risk assessment;

- b. Fosun Finance shall ensure the safe operation of the fund management network, ensure the security of funds, control the risk of assets and liabilities, and meet the payment needs of the Group. Fosun Finance will also operate strictly in accordance with the specification for risk monitoring indicators of financial companies promulgated by the NFRA. Major regulatory indicators such as capital adequacy ratio and liquidity ratio of Fosun Finance shall comply with the provisions of the NFRA and other relevant laws and regulations;
- c. Fosun Finance undertakes to provide the Group with annual audit reports on a regular basis; and
- d. Fosun Finance undertakes that in the event of any circumstances that may endanger the safety of the Group's deposits or other events that may bring risks to the security of funds deposited by the Group, it will promptly inform the Group whereupon the Group shall have the right to immediately and unconditionally withdraw its deposits.

5. Pricing policies

The rates for the comprehensive credit services, deposit services, settlement services and other financial services under the Renewed Financial Services Agreement represents the best of (i) the prevailing market rates, (ii) rates no less favorable to those between the Group and independent third parties for comparable services (on a similar scale), and (iii) rates no less favorable to those for the same kind of services provided by Fosun Finance to other Member Companies of Fosun High Tech (other than the Group).

For the purpose of determining the market rates for such services, the Group will generally consider the prices offered by independent third party service providers of comparable services and similar services and compare to those offered to the Group. In particular, the finance department of the Group will compare the services fees offered by different service providers in respect of comparable services and a similar type of such services (based on the similar type of services).

In assessing the fairness and reasonableness of the pricing terms of the deposit services, we have randomly selected two months in the past 12 months, obtained and reviewed the relevant time deposit records of deposits placed by the Group with Fosun Finance and the corresponding deposit records of deposits placed by the Group with PRC commercial banks in general during such periods with similar nature, tenor and principal amount. As (i) the deposits placed by the Group with Fosun Finance has no distinctive characteristics nor any seasonality patterns; and (ii) is recurring throughout the year, we considered that the samples selected by us had covered the majority of the types of deposits placed by the Group with Fosun Finance, we considered that our random selection method is fair and reasonable. Furthermore, as the deposits placed by the Group with PRC commercial banks in general

mainly comprises state-owned commercial banks in the PRC and other principal banks of the Group which make reference to the benchmark interest rates as published by the PBOC, we consider that the sample deposit rates are fair and representative.

Based on our due diligence review, we noted that the deposit rates for deposits placed by the Group with Fosun Finance were higher than those deposits placed by the Group with such PRC commercial banks, and were in line with the pricing basis of deposit services under the Renewed Financial Services Agreement. We have also reviewed the Renewed Financial Services Agreement and noted that the abovementioned pricing terms for deposit services are the same as those as stipulated under the Financial Services Agreement.

For the settlement services and other financial services, we have obtained the fee schedule for the settlement services and other financial services of Fosun Finance and we were given the understanding that the settlement services and other financial services by Fosun Finance to the Group are currently provided free of charge. We have also reviewed the fee schedule of similar settlement services and other financial services of two PRC commercial banks in general and noted that the fees for settlement services for payment and receipt and other ancillary services relating to settlement services charged by those PRC commercial banks in general were determined with reference to (i) the Notice of the National Development and Reform Commission and the China Banking Regulatory Commission on Issuing the Catalogue of Government-Guided Pricing and Government-Fixed Pricing for Services Provided by Commercial Banks (“關於印發商業銀行服務政府指導價政府定價目錄的通知”) issued by the National Development and Reform Commission of the PRC; or (ii) the prevailing market price. We have obtained and reviewed Fosun Finance’s fee schedule applicable to the Group for the settlement services and other financial services and noted that such service fees are listed as free of charge. We further reviewed the 2023 Annual Report and the 2024 Annual Report and noted that no expenses of settlement services and other financial services fee to Fosun Finance were incurred during the term of the Financial Services Agreement, hence the settlement services and other financial services offered by Fosun Finance to the Group were conducted on more favourable pricing basis to the Group than those with PRC commercial banks in general, and were in accordance with the pricing terms stipulated in the Renewed Financial Services Agreement. We have also reviewed the Renewed Financial Services Agreement and noted that the abovementioned pricing terms for settlement services and other financial services are the same as those as stipulated under the Financial Services Agreement.

6. The proposed annual caps

(i) *Deposit services*

Set out below are the details of (i) the historical transaction amounts and the existing annual caps for the deposit services under the Financial Services Agreement for each of FY2023, FY2024 and the financial year ending 31 December 2025 (“FY2025”); and (ii) the proposed annual caps for the deposit services for each of the financial years

ending 31 December 2026 (“FY2026”), 31 December 2027 (“FY2027”) and 31 December 2028 (“FY2028”) respectively under the Renewed Financial Services Agreement:

Unit: RMB million

	For the year ended 31 December		For the year ending 31 December
	2023	2024	2025
Maximum daily balance of deposits placed by the Group with Fosun Finance	1,989.39	1,899.86	1,833.64 (Note)
Annual caps	2,000.00	2,000.00	2,000.0
Utilisation rate	99.47%	94.99%	91.68%

Note: For the six months ended 30 June 2025 only.

Unit: RMB million

	For the year ending 31 December		
	2026	2027	2028
Proposed annual caps (Maximum daily balance of deposits placed by the Group with Fosun Finance)	2,000.00	2,000.00	2,000.00

As set out in the Letter from the Board, the proposed annual caps for the deposit services under the Renewed Financial Services Agreement are determined with reference to (i) the existing scale of the Group’s assets, business and revenue; (ii) the possible additional deposits arising from the continuous business development of the Group and the addition of subsidiaries within the service term stipulated in the Renewed Financial Services Agreement, (iii) the diversification and reduction of the overall deposit risk through the diversified deposit channels, and (iv) the historical utilization of the relevant annual caps.

In addition to the factors considered by the Company in arriving at the proposed annual caps for the deposit services as set out above and in the Letter from the Board, we have also considered the following in assessing the fairness and reasonableness of the proposed annual caps for the deposit services under the Renewed Financial Services Agreement:

a. *The historical utilisation of the respective annual caps*

As shown in the table above, the maximum daily balance of deposits placed by the Group with Fosun Finance for FY2023, FY2024 and the six months ended 30 June 2025 amounted to RMB1,989.39 million, RMB1,899.86 million and RMB1,833.64 million, representing an utilisation rate of 99.47%, 94.99% and 91.68% for the existing annual caps under the Financial Services Agreement, respectively. As advised by the Management, the existing annual caps under the Financial Services Agreement were almost fully utilised given the business development of the Group.

b. *The needs for the deposit services arising from the continuous business development of the Group*

The Group has been growing substantially in its scale of operation since its listing on the main board of the Hong Kong Stock Exchange in 2012 in terms of revenue, net cash flows generated from operating activities and cash and bank balances. The Group's revenue for FY2024 was RMB40,910 million, representing a compound annual growth rate ("CAGR") of approximately 15.47% compared with that of RMB7,278 million in 2012. The Group's net cash flows generated from operating activities recorded a CAGR of approximately 17.21% from 2012 to 2024, which was generally in line with the revenue growth.

Furthermore, set out below is an analysis on the percentage of maximum daily balance of deposits placed by the Group with Fosun Finance over the Group's total cash and bank balances ("**Fosun Deposit to Cash Ratio**") as at the end of each recent financial year/period based on (i) the maximum daily balance of deposits

placed by the Group with Fosun Finance for each of the years ended 31 December 2014 to 2024 and the six months ended 30 June 2025; and (ii) the Group's cash and bank balances as at the end of each corresponding financial year/period.

Unit: RMB million

	As at/for the year ended 31 December											As at/For the six months ended 30 June 2025
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
Maximum daily balance of deposits placed by the Group with Fosun Finance	950.37	678.42	678.43	534.69	575.42	979.53	979.62	993.25	994.53	1,989.39	1,899.86	1,833.64
Cash and bank balances	3,696	4,029	5,996	7,249	8,547	9,533	9,962	10,308	16,241	13,694	13,524	12,959
Fosun Deposit to Cash Ratio	25.71%	16.84%	11.31%	7.38%	6.73%	10.28%	9.83%	9.64%	6.12%	14.53%	14.05%	14.15%

We noted that the Group has maintained a robust and stably increasing cash and bank balances over the recent years. The Group's cash and bank balances as at 31 December 2024 of RMB13,524 million represented an increase of approximately 265.91% compared with that of RMB3,696 million as at 31 December 2014.

We further noted that the historical annual caps for deposit services were set at RMB1,000 million since 2014 to 2022, and such annual caps were increased to RMB2,000 million from 2023 to 2025. The increasing cash and bank balances of the Group and the nearly fully utilised historical annual caps for deposit services in the recent financial years/period suggested that the existing level of annual caps is accommodating the Group's increasing need for the deposit services in light of its continued business development as evidenced by the growth in revenue, net cash flows generated from operating activities and cash and bank balances of the Group in general.

Also, as mentioned in the section headed "3. Reasons for and benefits of entering into the Renewed Financial Services Agreement" in this letter, the actual maximum daily balance of deposits placed by the Group with Fosun Finance for FY2023, FY2024 and the six months ended 30 June 2025 were RMB1,989.39 million, RMB1,899.86 million and RMB1,833.64 million, representing a Fosun Deposit to Cash Ratio of approximately 14.53%, 14.05% and 14.15% of the Group's cash and bank balances as at the corresponding year-end or period-end date. The increased Fosun Deposit to Cash Ratio of FY2023, FY2024 and the six months ended 30 June 2025 as compared to the three years ended 31 December 2022 as a result of the increased annual caps appear to increase the flexibility in treasury planning and overall liquidity allocation.

Taking into the account of the post COVID-19 pandemic whereas the Group recorded slight decrease in revenue and the Group's improved net cash flows generated from the operating activities in FY2024, the proposed annual caps for deposit services of RMB2.0 billion represent approximately 15.43% of the cash and bank balances of the Group as at 30 June 2025, which is close to the Fosun Deposit to Cash Ratio given the maximum deposits placed by the Group with Fosun Finance.

Having considered the foregoing, we concur with the Board's view that the determination of the proposed annual caps of RMB2,000 million for each of FY2026, FY2027 and FY2028 is fair and reasonable.

(ii) Settlement services and other financial services

Set out below are the details of (i) the historical transaction amounts and the existing annual caps for the settlement services and other financial services under the Financial Services Agreement for each of FY2023, FY2024 and FY2025; and (ii) the proposed annual caps for the settlement services and other financial services for each of FY2026, FY2027 and FY2028 under the Renewed Financial Services Agreement:

Unit: RMB million

	For the year ended 31 December		For the year ending 31 December
	2023	2024	2025
Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	Nil	Nil	Nil (Note)
Annual caps	1.0	1.0	1.0

Note: For the six months ended 30 June 2025 only.

Unit: RMB million

	For the year ending 31 December		
	2026	2027	2028
Proposed annual caps	1.0	1.0	1.0

As set out in the Letter from the Board, the proposed annual caps for the settlement services and other financial services under the Renewed Financial Services Agreement are determined with reference to (i) the possible demand for such services arising from the future business requirements and financing needs of the Group; and (ii) the historical annual caps for such services.

We noted that no actual fees and charges for settlement services and other financial services was paid to Fosun Finance by the Group as Fosun Finance has been providing such services to the Group on a free of charge basis since 2014. The proposed annual caps for the settlement services and other financial services of RMB1.0 million for each of FY2026, FY2027 and FY2028 represent a reasonable buffer in the event Fosun Finance charges fees for such settlement services and other financial services in future (which it is entitled to do so under the Renewed Financial Services Agreement on normal commercial terms). Also, the proposed annual caps of RMB1.0 million represent only a negligible portion at approximately 0.1% of the finance costs of the Group of RMB1,431.9 million for FY2024. Having considered the foregoing, we are of the view that the proposed annual caps for settlement service and other financial services of RMB1.0 million for each of FY2026, FY2027 and FY2028 are not excessive.

7. Internal control measures

As set out in the Letter from the Board, pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, the Company will disclose in the annual report the review by the Board (including independent non-executive Directors) of the continuing connected transactions entered into every year (including the continuing connected transactions under the Renewed Financial Services Agreement) and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group, in accordance with the relevant agreements governing such transactions on terms (which are normal commercial terms or better to the Company) that are fair and reasonable, and in the interests of the Shareholders of the Company as a whole.

Independent auditors will also review the continuing connected transactions entered into (including the continuing connected transactions under the Renewed Financial Services Agreement) and issue a letter to the Board every year. The conclusion of such review by the auditors will be disclosed in the annual report.

In addition, as part of the Group's internal control systems to ensure that the continuing connected transactions under the Renewed Financial Services Agreement are conducted in accordance with the terms under the Renewed Financial Services Agreement (including but not limited to the pricing policy), the Company has implemented the following internal control procedures.

- (i) the Company has formulated an internal policy which sets out the internal control framework and requirements with respect to connected transactions of the Group. All divisions of the Company and subsidiaries of the Company must follow the requirements under the internal policy;
- (ii) the management of the Company will closely review the use of services under the Renewed Financial Services Agreement through ongoing and timely enquiries, with a view to monitoring and ensuring that the balance of current and ongoing deposits placed with Fosun Finance is within the proposed annual caps;
- (iii) the management of the Company will conduct regular reviews and random inspections to verify whether the price of the connected transaction is in compliance with the above pricing principles including reviewing the transaction records of the Group for similar services.
- (iv) the Company shall obtain and review relevant documents of Fosun Finance including its financial statements at least semi-annually to assess its financial risks status, and issue the Continuous Risk Assessment Report.
- (v) If the proposed annual caps need to be adjusted due to business development needs or other reasons, arrangements will be made in advance and the relevant requirements of the Hong Kong Listing Rules will be strictly complied with.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are entered into on normal commercial terms in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted in accordance with the Renewed Financial Services Agreement and in compliance with Chapter 14A of the Hong Kong Listing Rules.

We have obtained and reviewed the internal policy formulated by the Group and reviewed certain samples on the Group's measures to ensure the balance of current and ongoing deposits placed with Fosun Finance is within the proposed annual caps. The Management further advised that the Company has conducted regular reviews and random inspections to ensure the pricing terms of the transactions under the Financial Services Agreement are conducted in accordance with terms thereunder, and will continue to conduct such reviews and inspection on the transactions contemplated under the Renewed Financial Services Agreement.

8. Measures to ensure compliance with the Hong Kong Listing Rules

In addition, pursuant to Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules, the Renewed Financial Services Agreement is subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report and whether the continuing connected transactions have been entered into:
 - a. in the ordinary and usual course of business of the Group;
 - b. on normal commercial terms or better; and
 - c. according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
 - a. have not been approved by the Board;
 - b. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - c. were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - d. have exceeded the annual cap.
- (iii) The Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and
- (iv) The Company must promptly notify the Hong Kong Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required.

In light of the annual review and reporting requirements applicable to the Non-exempt Transactions under the Renewed Financial Services Agreement, in particular, (a) there are assigned person or department in charge for collecting and monitoring the terms and transaction amount of each particular transaction under the Renewed Financial Services Agreement; (b) the restriction of the amount of the maximum daily balance of deposits placed

by the Group with Fosun Finance; (iii) the ongoing annual review by the independent non-executive Directors and the auditors of the Company of the terms and the annual caps not being exceeded; and (iv) the internal control measures in place to ensure the Company's conformity with the policies under the Renewed Financial Services Agreement, we are of the view that there are appropriate measures to govern the Company in conducting the transactions contemplated under the Renewed Financial Services Agreement in a view to safeguarding the interests of the Shareholders.

We have obtained and reviewed the annual confirmations by the auditors and noted that nothing has come to their attention that causes them to believe that the historical continuing connected transactions of the Group, including the transactions under the Financial Services Agreement, (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual cap.

IV. RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the Renewed Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Renewed Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps in respect of the Non-exempt Transactions are fair and reasonable; and (iii) the entering into of the Renewed Financial Services Agreement is in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Renewed Financial Services Agreement, the Non-exempt Transactions contemplated thereunder and the proposed annual caps at the EGM, and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Yue Xiu Capital Limited



Cedric Wu
Associate Director

Mr. Cedric Wu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Yue Xiu Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He has over 13 years of experience in the accounting and corporate finance industries.